

AN INVESTMENT COMPANY

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VIA E-MAIL – kevin.shannon@cbre.com

May 11, 2010

Mr. Kevin Shannon
CB Richard Ellis
990 W. 190th street, Suite 100
Torrance, CA 90502

Re: Letter of Intent for the Purchase of the Golden State Portfolio

Dear Mr. Shannon:

Please accept this letter as our offer to purchase the above referenced Properties, subject to customary due diligence and completion of mutually agreeable documentation.

1. Purchaser/Landlord. One or more special purpose affiliates of The Herrick Company, Inc. The Herrick Company, Inc. has been actively involved in commercial real estate, including property development, property management and real estate leasing and finance, for more than 40 years. Since its formation, The Herrick Company, Inc. has completed transactions valued in excess of \$5 billion throughout the United States. Information can be found at “TheHerrickCompany.com” website.

2. Seller/Tenant. The State of California.

3. Properties. The Properties to be purchased are 11 properties totaling 7,311,158 square feet located in the San Francisco, Los Angeles and Sacramento California areas, as described in the CBRE Marketplace Website as the “Golden State Portfolio.”

4. Purchase Price. Purchaser will acquire the Properties either as a portfolio or individually. The Purchase Price for the entire portfolio is \$2.1 Billion for Option A or \$1.9 Billion for Option B. See attached breakdown for the Purchase Price allocable to each of the Properties (Exhibit A).

5. Due Diligence. Purchaser shall have forty five (45) business days from the execution of the purchase contract and receipt of all due diligence materials to conduct its due diligence studies and investigate all matters relevant to its acquisition, including without limitation, the lease and related documentation, title and survey, plans and specifications, and the results of any environmental and engineering inspections, review and verification of operating

expenses and capital cost assumptions and any studies that Purchaser may elect to conduct. Seller will cooperate with Purchaser in providing all diligence materials reasonably requested in a timely and accurate manner. Purchaser shall have the right to terminate the contract prior to the expiration of the due diligence period if the Purchaser in its sole and absolute discretion is not satisfied with its due diligence investigation. Upon such termination, the Purchaser shall have no further obligation under the contract or rights with respect to the Properties.

6. Closing Costs. The Purchase Price shall be net to Purchaser. Seller shall be responsible for all transaction costs including but not limited to the payment of all transfer and recording fees and taxes, surveys, title policies, lender fees and costs, appraisal costs, environmental and engineering reports and investment banking and brokerage fees. Purchaser shall pay only for its attorney's fees. All Closing Costs can be capitalized into the purchase price with a corresponding rent adjustment.

7. Leases.

- A. 20 year base lease term with rent to be paid semi-annually in advance. Total gross annual rent for year 1 (Base Year) = \$225,389,042, which includes \$26,178,023 of property tax expense and \$55,588,921 of operating expenses, per CBRE financial model in offering memorandum. Tenant will represent that the Base Year real estate taxes and operating expenses accurately reflect prior year expenses to be used as Base Year expense calculation. In addition the properties will generate parking revenue of \$5,951,880. The NOI is represented to be \$149,573,978.
- B. Annual escalations – 2% per year for rent and parking revenue. An increase equal to the applicable CPI index on all other operating expenses. Property tax escalations will be based on actual percentage increase, not to exceed 2% per annum, but will be based on actual increases over the Base Year in the event of a change in law (Prop.13).
- C. Special Assessments – Tenant will be responsible for reimbursing Landlord for any type of special assessments levied against the properties.
- D. The lease shall be a full service lease with the Tenant being responsible for the payment of gas and electricity expense. Landlord shall provide a full range of services to the premises. Landlord will also be responsible for painting the interior of the buildings every five years and replacing carpeting every ten years, based on an allowance to be agreed to.
- E. Service Contracts – All service contracts for janitorial, housekeeping, food service, laundry and security guards will be at Landlord's sole discretion.
- F. Building Standards – All buildings will be operated in a similar condition as they are today.
- G. Title – Tenant agrees that Landlord may create a remainderman structure and hold the title as an estate for years interest.

- H. Renewal Option – Under Option A, Tenant shall have the option to extend the term of the lease for three (3) additional terms of 10 years each at fair market value rent. Under Option B, Tenant shall have the option to extend the term of the lease for two (2) additional terms of 10 years each. The first renewal term will be at fair market value rent, the second renewal term will be at \$70 Million triple net rent per year. During the renewal terms Tenant will continue to have a right of first offer and right of first refusal. Tenant must exercise renewal option 36 months prior to the end of the base lease term. Tenant must renew the entire portfolio or none of the portfolio.
- I. Sub-Lease Option – Tenant shall have the option to Sub Lease the premises subject to Landlord's consent, so long as Tenant remains primarily liable for all obligations under the lease.
- J. Right of First Refusal – At any time that is 3 years or more prior to the then scheduled lease termination date, if Purchaser receives a bona fide offer from an unaffiliated third party to purchase Purchaser's interest in Properties, the Seller shall have up to thirty (30) days from receipt of Purchaser's written notice of such offer to respond in writing advising Purchaser of Seller's election to acquire the Purchaser's interest in the Properties under the same terms and conditions as those set forth in such third party offer. In the event the Tenant does not respond within thirty (30) days, the Right of First Refusal shall be deemed waived.
- K. Right of First Offer – Tenant may make an offer to purchase the property during the lease term or any renewal term to acquire all (but not less than all) of Landlord's interest in the property by giving written notice of proposed terms. Landlord may freely reject such offer and deemed to have done so unless Landlord affirmatively accepts the purchase offer.
- L. In the event of a casualty, Landlord will be obligated to rebuild. Tenant will not be permitted to terminate the Lease, but rent will abate (based on the amount of unusable space) during the period of restoration. In the event of a condemnation, Tenant will be obligated to purchase the Property based on a schedule to the Lease (to assure sufficient funds are available to repay Landlord's investment and debt).
- M. In the event of a major repair and a portion of the premises becomes unusable by Tenant, Landlord will make repair. Tenant may not terminate the Lease and may not abate the rent.
- N. Environmental – Tenant must indemnify Landlord for all past, present and future environmental conditions. Landlord will only be responsible for environmental conditions or concerns caused by Landlord.

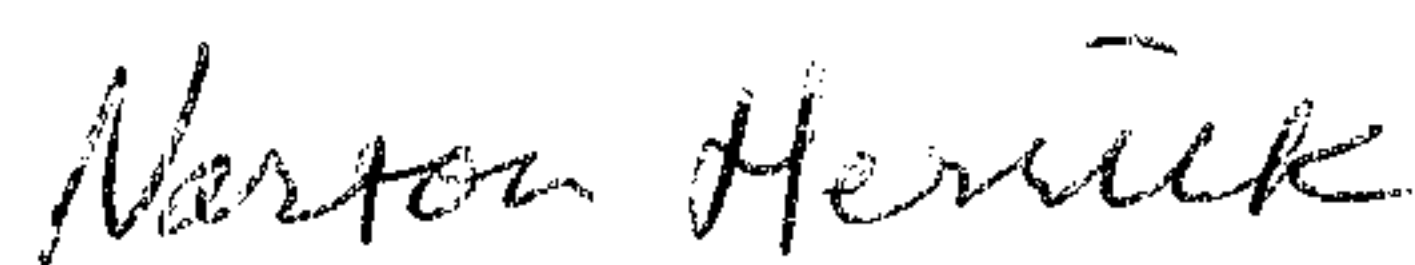
8. Closing Date. Forty Five (45) business days after the completion of the due diligence.

9. Purchase Price Adjustments. Purchase Price is based on a 10 Year Treasury rate of 3.39% and a 30 Year Treasury rate of 4.19%. Purchase Price may be adjusted based on movements in Treasury rates.

If the above offer is acceptable, please contact the undersigned so we might proceed with negotiation of a definitive purchase agreement.

Very truly yours,

THE HERRICK COMPANY, INC.



Norton Herrick
Chairman/CEO



Cc: J. Surace
R. Getz
K. White

Exhibit A

<u>Property</u>	<u>Year 1 NOI</u>	<u>Option A Purchase Price</u>	<u>Option B Purchase Price</u>
Public Utilities Commission	\$6,098,050	\$86,405,256	\$78,176,184
San Francisco Civic Center	22,040,256	312,295,564	282,553,129
Elihu Harris Building	12,613,763	178,728,515	161,706,752
Judge Rattigan Building	1,040,445	14,742,404	13,338,366
Junipero Serra State Building	6,799,418	96,343,168	87,167,628
Ronald Reagan Building	12,195,530	172,802,436	156,345,061
Attorney General Building	9,708,584	137,564,088	124,462,746
Capital Area East Complex	35,543,577	503,628,516	455,663,895
Department of Justice Building	4,936,426	69,945,827	63,284,320
Franchise Tax Board Complex	34,310,182	486,152,141	439,851,937
Cal EMA	2,921,246	41,392,086	37,449,982
Total	\$148,207,477	\$2,100,000,000	1,900,000,000

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*Dollar Amounts are Approximate.